



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 4/26/2002

GAIN Report #KZ2005

# **Kazakhstan, Republic of**

## **Grain and Feed**

### **Annual**

### **2002**

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#### **Report Highlights:**

**Kazakhstan's MY 2002/03 wheat production is forecast to decline from last year's bumper crop to 9.5 million metric tons (MMT), assuming normal weather. MY 2002/03 wheat exports are forecast to increase to 5.0 MMT, based on the expectation of better quality wheat.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Islamabad [PK1], KZ

## Executive Summary

Kazakhstan's MY 2001/02 total grain production is estimated at 15.9 MMT, including 12.7 MMT of wheat, 2.2 MMT of barley, 218,000 MT of oats, 320,000 MT of corn and 199,000 MT of rice. This bumper harvest is attributed to exceptionally favourable weather, although input usage also increased slightly. Lack of machinery remains the main technical constraint to increased grain production. Despite the bumper crop, Kazakhstan's MY 2001/2002 grain exports are estimated at 4.8 MMT, including 4.0 MMT of wheat and 500,000 MT of barley due to reduced demand from traditional importers and the lower quality of the grain.

MY 2002/03 total grain production is forecast to decline to 12.2 MMT, assuming normal weather. This forecast is based on analysis of average grain yields for the past 10 years. Total grain production is forecast to consist of: 9.5 MMT of wheat, 1.8 MMT of barley, 150,000 MT of oats, 300,000 MT of corn and 200,000 MT of rice. MY 2002/03 grain exports are expected to total 5.8 MMT, including 5.0 MMT of wheat and 500,000 MT of barley.

## WHEAT

### PRODUCTION:

Kazakhstan's MY 2002/2003 wheat production is forecast to decline about 3 MMT from the previous year's bumper crop. Specialists expect total wheat production to be between 9.5 and 10 MMT, assuming normal weather. This forecast is based on analysis of average yields for the past 10 years. Despite low snowfall this past winter, soil moisture reserves are at normal levels following heavy spring rains. Wheat area is expected to increase slightly by 100,000 hectares to 10.8 million hectares. However, given the short sowing period, the lack of adequate machinery will limit area.

**Seeds:** According to the Ministry of Agriculture (MOA), by April 1, wheat producers had procured about 80 percent of the seeds needed for spring planting. The State Food Contract Corporation (SFCC) has procured an additional 120,000 MT of seeds to distribute on credit. The Government of Kazakhstan (GOK) subsidizes about 40 percent of the price of elite seeds. In general, specialists do not expect seed shortages will limit MY 2002/03 production.

**Fertilizers:** Grain producers have increased fertilizer usage slightly over the last two years. However, the high cost of inputs, coupled with the lack of working capital, continue to limit fertilizer usage. In December 2000, the GOK adopted a decree to subsidize 40 percent of the cost of fertilizers, but budget constraints limit the volume available.

**Locusts:** Locusts are not expected to be a problem during the MY 2002/03 growing season. The GOK, however, is planning to allocate about \$5 million to monitor and to spray more than 3 million hectares for locusts this year.

**Machinery and Fuel:** The lack of machinery, especially tractors and harvest combines, remains the main technical constraint to grain production. According to the State Agency on Statistics, the number of tractors and harvest combines has declined fourfold and fivefold respectively during the past ten years. Despite the significant reduction of planted areas, the amount of work done per tractor and harvester is 2-to-2.5 times the work done in the previous decade. Kazakhstan's machinery stock is old -- only 5 percent of tractors and 6 percent of harvest combines are less than six years old, while more than 85 percent of tractors and 80 percent

PSD Table						
Country:	Kazakhstan, Republic of					
Commodity:	Wheat					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	10500	10500	10400	10700	0	10800
Beginning Stocks	700	700	1450	1450	6000	5000
Production	9100	9100	13000	12700	0	9500
TOTAL Mkt. Yr. Imports	15	15	15	15	0	15
Jul-Jun Imports	15	15	15	15	0	15
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	9815	9815	14465	14165	6000	14515
TOTAL Mkt. Yr. Exports	3668	3668	3500	4000	0	5000
Jul-Jun Exports	3668	3668	3500	4000	0	5000
Feed Dom. Consumption	1100	1100	1300	2000	0	2100
TOTAL Dom. Consumption	4697	4697	4965	5165	0	5500
Ending Stocks	1450	1450	6000	5000	0	4015
TOTAL DISTRIBUTION	9815	9815	14465	14165	0	14515

of combines have been in use more than ten years. According to estimates, between 1.5-to-2.0 MMT of grain are lost annually during harvest due to the lack of machinery and machinery-related problems.

Farmers lack sufficient capital to repair and replace machinery. The GOK has established the State Leasing Fund (SLF) to address this situation, but it lacks adequate funds to provide significant assistance. The SLF has distributed about 1,500 tractors and 200 harvest combines over the last ten years. Such small numbers are not adequate to meet the demand. In 2002, the GOK is planning to allocate about \$10 million to purchase spare parts from Ukraine for assembling 100 harvest combines in Kazakhstan. The SLF will distribute these combines to local farmers on a 7-year lease basis at 15 percent interest. In the future, the GOK is planning to produce most harvester parts in Kazakhstan.

The fuel situation has improved significantly over the last two years. The GOK subsidizes 30 percent of diesel fuel consumption for sowing and harvesting. Also, to prevent seasonal price increases, the GOK bans diesel fuel exports during the agricultural season. These measures help farmers to procure enough fuel for timely field operations.

**Policy:** The GOK continues to use state reserves to support wheat prices. Since 1997, the GOK, through the SFCC, annually purchases about 500,000 of wheat to rotate into the state reserves. The SFCC sells older grain in its inventory under government-to-government contracts. In MY 2001/02, the GOK procured 450,000 MT of wheat for the state reserves at a price of \$80 per ton. Old grain from the reserves was sold to the Iran and Uzbekistan. For MY 2002/03, the GOK allocated 5.4 billion Kazakh tenge (KZT) to purchase 450,000 MT of wheat for the state reserves at an expected price of \$75 per ton. All purchases will be on a contract basis (i.e., the

seller receives 60 percent of the contract amount in the spring and the remaining 40 percent will be paid after the grain is delivered). In order to support as many farmers as possible, the SFCC limits purchases to a maximum of 15,000 MT from any one seller. Beginning in 2002, the SFCC will be responsible to develop new transportation routes for Kazakhstan's wheat exports.

## **CONSUMPTION:**

MY 2001/02 domestic consumption of wheat for feed is estimated at 2 MMT, due to lower grain prices and the increased demand from the livestock industry. According to official statistics, poultry production has increased 10 percent and swine production has increased 13 percent during the past year. MY 2002/03 feed consumption is forecast to increase an additional 100,000 MT to 2.1 MMT, due to expected additional growth in the livestock industry. Wheat for human consumption has remained relatively stable over the past few years at 2 MMT.

## **TRADE:**

Despite the bumper crop, Kazakhstan's MY 2001/02 wheat export forecast remains unchanged at 4.0 MMT, due to poor grain quality and lower-than-usual demand from Kazakhstan's major importers, particularly Russia and Ukraine. The reduction in wheat exports to the Russian Federation to an estimated 700,000 MT has forced Kazakhstan's grain traders to develop alternative markets, especially Iran. The new grain terminal at Aktay on the Caspian Sea significantly increased wheat exports to Iran. Specialists estimate MY 2001/02 wheat shipments to Iran totalled 800,000 MT. A new branch rail line is under construction between northern grain-producing regions and Aktay. This line is scheduled to be completed by the end of 2002. Additionally, a new grain terminal will be constructed at Aktay within the next two years. According to grain traders, these developments have the potential to increase annual wheat exports to Iran to 2 MMT.

Uzbekistan, Azerbaijan, Tajikistan, and Afghanistan remain significant importers. Kazakhstan's MY 2002/03 wheat exports are forecast to increase by 1 MMT due to anticipated better quality and stronger demand from neighbouring Commonwealth of Independent States (CIS) countries.

**Price:** Export prices for 3 class wheat remain around \$70-to-\$75 (EXW) due to quality problems and limited export demand.

## **STOCKS:**

MY 2001/02 ending stocks are estimated to increase significantly due to the bumper crop and limited exports. The State Contract Corporation is planning to maintain state reserves at 500,000 MT. The remaining stocks will be held on farm or by traders and processors. MY 2002/03 ending stocks are forecast to decline by 1 MMT due to the anticipated decrease in production and increase in exports.

**Table 2: Wheat Trade ('000 MT)**

Export Trade Matrix			
Country:		Units:	
Commodity:			
Time period:			
Exports for	2000		2001
U.S.	0.9	U.S.	1
Others		Others	
Russia	1230	Russia	700
Azerbaijan	499	Azerbaijan	500
Uzbekistan	439	Uzbekistan	520
Afghanistan	293	Afghanistan	300
Tajikistan	263	Tajikistan	450
Ukraine	215	Ukraine	20
Turkey	108	Turkey	200
Italy	92	Italy	60
Kyrgyzstan	60	Kyrgyzstan	150
Iran	54	Iran	800
Total for Others	3253		3700
Others not listed	141		299
Grand Total	3394		4000

**BARLEY****PRODUCTION:**

Barley is the second major crop in Kazakhstan. MY 2001/02 barley area increased 100,000 hectares and production increased by more than 30 percent to 2.2 MMT. In general, barley suffers from similar production problems as wheat. Observers expect MY 2002/03 barley area to increase by an additional 100,000-to-150,000 hectares due to growing demand for feed in Kazakhstan and neighbouring CIS countries. Assuming normal weather, MY 2002/03 production forecast is 1.8 MMT.

**Table 3: Barley Production, Supply and Demand**

PSD Table						
Country:	Kazakhstan, Republic of					
Commodity:	Barley					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	1625	1625	1700	1700	0	1800
Beginning Stocks	821	821	796	796	796	886
Production	1675	1675	1700	2240	0	1800
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	2496	2496	2496	3036	796	2686
TOTAL Mkt. Yr. Exports	500	500	500	500	0	500
Oct-Sep Exports	500	500	500	500	0	500
Feed Dom. Consumption	1100	1100	1100	1550	0	1700
TOTAL Dom. Consumption	1200	1200	1200	1650	0	1800
Ending Stocks	796	796	796	886	0	386
TOTAL DISTRIBUTION	2496	2496	2496	3036	0	2686

**TRADE**

Kazakhstan's MY 2001/02 barley exports are estimated at 500,000 MT. Major importers will be Russia and Iran. The same exports level is expected in MY 2002/03.

**Table 4: Barley Trade ('000 MT)**

Export Trade Matrix			
Country:		Units:	
Commodity:			
Time period:			
Exports for	2000		2001
U.S.		U.S.	
Others		Others	
Afghanistan	6	Afghanistan	10
Iran	86	Austria	5
Iraq	2	Estonia	10
Mongolia	1	Iran	180
Russia	173	Russia	150
Saudi Arabia	24	Saudi Arabia	35
Switzerland	2	Tajikistan	2
Tajikistan	1	Ukraine	5
		Uzbekistan	3
Total for Others	295		400
Others not listed	0		100
Grand Total	295		500